Management's Discussion and Analysis
Year Ended December 31, 2024

This Management's Discussion and Analysis ("MD&A") is management's opinion about the operating and financial results of Source Rock Royalties Ltd. ("Source Rock" or the "Corporation") for the three-month period ("Q4 2024") and year ended December 31, 2024, and previous periods, and the outlook for Source Rock based on information available as of April 24, 2025.

The financial information contained herein is based on information in the audited financial statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts contained herein are expressed in Canadian currency, unless otherwise noted. This MD&A should be read in conjunction with Source Rock's audited financial statements for the year ended December 31, 2024, together with the accompanying notes.

This MD&A contains additional GAAP measures, non-GAAP measures, and forward-looking statements that are intended to help readers better understand Source Rock's business and prospects. References are made to "Adjusted EBITDA" and "funds from operations" which are non-GAAP financial measures and the terms "payout ratio", "operating netback" and "corporate netback" which are non-GAAP ratios. These financial measures and ratios do not have a standardized prescribed meaning under Canadian GAAP and therefore are referred to as non-GAAP financial measures and ratios. The non-GAAP financial measures and ratios used by Source Rock may not be comparable to similar measures used by other companies. Please refer to the disclosure under the "Non-GAAP Financial Measures & Ratios" and the "Forward-Looking Statements" sections of this MD&A.

SUMMARY OF RESULTS

	Three Months Ended December 31,			Year Ended December 31,		
FINANCIAL ($, except as noted)	2024	2023	Change	2024	2023	Change
Royalty revenue	1,871,245	1,720,264[1]	9%	7,689,586	6,646,326[1]	16%
Adjusted EBITDA[2]	1,709,057	1,525,386	12%	6,816,173	5,793,204	18%
Per share (basic)	0.038	0.034	12%	0.15	0.129	16%
Funds from operations[2]	1,511,958	1,663,376	-9%	5,994,371	5,653,618	6%
Per share (basic)	0.033	0.037	-11%	0.132	0.126	5%
Total comprehensive income (loss)	501,915	382,367	31%	1,495,319	1,566,310	-5%
Per share (basic)	0.011	0.008	38%	0.033	0.035	-6%
Per share (diluted)	0.01	0.008	25%	0.031	0.034	-9%
Dividends declared	888,863	812,850	9%	3,473,939	2,968,990	17%
Per share	0.0195	0.018	8%	0.0765	0.066	16%
Payout ratio[2]	59%	49%	20%	58%	53%	9%
Cash and cash equivalents	4,635,727	1,462,040	217%	4,635,727	1,462,040	217%
Per share (basic)	0.10	0.03	214%	0.10	0.03	215%
Average shares outstanding (basic)	45,582,727	45,139,091	1%	45,386,449	45,022,140	1%
Shares outstanding (end of period)	45,582,727	45,231,645	1%	45,582,727	45,231,645	1%
OPERATING						
Average daily production (boe/d)	256	218[3]	17%	251	208[3]	21%
Percentage oil & NGLs	97%	94%	3%	95%	93%	2%
Average price realizations ($/boe)	79.45	85.86	-7%	83.58	87.54	-5%
Operating netback[2] ($/boe)	72.57	76.06	-5%	74.20	76.30	-3%
Corporate netback[2] ($/boe)	64.20	82.94	-23%	65.25	74.47	-12%

(1) Source Rock also benefited from $211,892 (Q4 2023) and $373,437 (fiscal 2023) of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of acquisitions. These proceeds were accounted for as a reduction to the purchase price of the acquisitions.
(2) This is a non-GAAP financial measure or non-GAAP ratio. Refer to the disclosure under the heading "Non-GAAP Financial Measures & Ratios" for more information on each non-GAAP financial measure or ratio.
(3) Source Rock also benefited from 29 boe/d (100% oil & NGLs) for Q4 2023 and 12 boe/d (100% oil & NGLs) for fiscal 2023, of royalty production that occurred after the effective date but prior to the closing date of acquisitions.

HIGHLIGHTS

Q4 2024:

- Quarterly royalty revenue increased by $150,981 (9%) to $1,871,245, compared to Q4 2023 which totalled $1,720,264.
- Quarterly royalty production averaged 256 boe/d (97% oil & NGLs), an increase of 17% compared to Q4 2023 which averaged 218 boe/d (94% oil & NGLs).
- Quarterly Adjusted EBITDA increased by $183,671 (12%) to $1,709,057 (91% of revenue) compared to Q4 2023, which totalled $1,525,386 (89% of revenue). This represents an increase of 12% on a per share basis.
- Quarterly funds from operations decreased by $151,418 (9%) to $1,511,958 (81% of revenue) compared to Q4 2023, which totalled $1,663,376 (97% of revenue). This represents a decrease of 11% on a per share basis. Funds from operations in Q4 2023 was positively impacted by a reduction of the estimated tax due for the year ended December 31, 2023 as a result of a material acquisition being completed in December 2023.
- Average realized price for royalty production was $79.45 per boe (97% oil & NGLs), a decrease of 7% compared to $85.86 per boe (94% oil & NGLs) in Q4 2023.
- Achieved an operating netback of $72.57 per boe (Q4 2023 - $76.06) and a corporate netback of $64.20 per boe (Q4 2023 - $82.94). Corporate netback in Q4 2023 was positively impacted by the tax estimate decrease referenced above.
- Ended Q4 2024 with available cash and cash equivalents of $4,635,727 (Q4 2023 - $1,462,040).
- Declared three monthly dividends of $0.0065 per common share.

Annual 2024:

- Record annual royalty revenue was achieved, an increase of $1,043,260 (16%) to $7,689,586, compared to 2023 which totalled $6,646,326.
- Record annual royalty production was achieved, averaging 251 boe/d (95% oil & NGLs), an increase of 21% compared to the same period in 2023, which averaged 208 boe/d (93% oil & NGLs).
- Record annual Adjusted EBITDA was achieved, an increase of $1,022,969 (18%) to $6,816,173 (89% of revenue) compared to 2023, which totalled $5,793,204 (87% of revenue). This represents an increase of 16% on a per share basis.
- Record annual funds from operations was achieved, an increase of $340,753 (6%) to $5,994,371 (78% of revenue) compared to 2023, which totalled $5,653,618 (85% of revenue). This represents an increase of 5% on a per share basis. Funds from operations in 2024 was lower relative to revenue year-over-year as a result of higher taxes.

- Average realized price for royalty production was $83.58 per boe (95% oil & NGLs), a decrease of 5% compared to $87.54 per boe (93% oil & NGLs) in 2023.
- Achieved an operating netback of $74.20 per boe (2023 - $76.30) and a corporate netback of $65.25 per boe (2023 - $74.47).
- Declared $0.0765 per common share in dividends.
- 43 gross new horizontal wells began producing on Source Rock's royalty lands: S.E. Saskatchewan (20), central Alberta (18), west-central Saskatchewan (3), east-central Alberta (1) and Manitoba (1).

BUSINESS OVERVIEW

Source Rock is a dividend-paying corporation incorporated under the laws of the Province of Alberta. Source Rock is indirectly involved in the development and production of oil, natural gas liquids ("NGLs") and natural gas, exclusively in western Canada. Source Rock receives revenue from its royalty interests as reserves are produced by the operators over the economic life of the lands. Source Rock is exclusively focused on acquiring oil and gas royalties and mineral interests.

Source Rock has a portfolio of oil royalty interests concentrated in S.E. Saskatchewan, central Alberta and west-central Saskatchewan. Source Rock is focused on acquiring royalties in lands that have foreseeable future drilling potential, and which are operated by fiscally and operationally prudent third parties. Source Rock endeavours to establish working relationships via newly created royalty interests, wherein mutual benefits can be derived from the development and long-term enhancement of the assets. Source Rock does not incur any ongoing costs to develop, operate, enhance or optimize the lands in which it has royalties, nor does it have any exposure to abandonment or reclamation obligations associated with its royalty lands.

The Advantages of Royalties

Source Rock benefits from the drilling activity, optimization efforts and enhanced recovery activity of the operators of its royalty lands. Source Rock also benefits from regulatory policies that incentivize more robust drilling and recovery efforts by operators. Royalties offer the benefit of sharing in production revenue without exposure to capital costs to drill and equip wells for production, operating costs associated with bringing production online and maintaining production and environmental costs associated with abandoning wells and restoring the land on which wells were drilled to its original state.

Source Rock owns the following royalty interests:

- Various gross overriding royalty ("GORR") interests in S.E. Saskatchewan.
- A GORR in largely contiguous Clearwater lands in central Alberta.
- A production volume royalty in Viking mineral rights in east-central Alberta.
- Various GORRs across central Alberta.
- Various GORRs in the west-central Saskatchewan Viking light oil play.

Source Rock is actively pursuing the acquisition of additional GORRs, lessor royalties and mineral interests in the Western Canadian Sedimentary Basin ("WCSB").

Source Rock's Strategy

Our operational goal is to provide shareholders with low-risk and low capital cost exposure to oil, NGLs and natural gas production in the WCSB through the ownership of royalty interests. Executing on this strategy will occur through the acquisition of low-decline and long-life, high netback producing royalties with identifiable upside drilling potential and drill-ready mineral title interests. Although we may participate in bidding on royalties that are marketed for sale, it is our intention to leverage our industry relationships to access opportunities to purchase royalties and/or to create royalties in lands that are not auctioned through a competitive bidding process. We will mitigate the risk associated with not operating the lands from which we derive royalty production by targeting royalty interests in lands operated by successful and well-funded companies that are operationally focused in the areas where our royalty lands are located. In addition, our focus will be on royalties in regions that are providing strong rates of return for the operators.

We intend to maintain a prudent, repeatable, scalable and sustainable corporate platform that minimizes administrative costs, maximizes per share growth and that permits payment of a sustainable yield.

BUSINESS ENVIRONMENT

Commodity Prices

Crude Oil

The West Texas Intermediate ("WTI") benchmark crude oil price average decreased by 6% to $70.27 (US$) in Q4 2024 compared to the third quarter of 2024 and was 10% lower than during the fourth quarter of 2023 ("Q4 2023"). Source Rock's realized price on crude oil is based on a combination of (i) Mixed Sweet Blend ("MSW") Par; (ii) Light Source Blend ("LSB") Par; and (iii) Western Canadian Select ("WCS").

	Three months Ended December 31,			Twelve months Ended December 31,		
BENCHMARK AVERAGES	**2024**	**2023**	**Change**	**2024**	**2023**	**Change**
WTI oil (US$/bbl)	70.27	78.32	-10%	76.27	77.62	-2%
WCS Heavy Differential from WTI (US$/bbl)	(12.56)	(21.89)	-43%	(14.76)	(18.71)	-21%
Cdn$/US$ exchange rate	1.40	1.36	3%	1.37	1.35	1%
WTI oil (C$/bbl)	98.30	106.72	-8%	104.10	104.78	-1%
MSW par oil at Edmonton (C$/bbl)	94.91	99.71	-5%	97.88	100.52	-3%
LSB par oil at Cromer (C$/bbl)	94.67	99.69	-5%	98.07	100.30	-2%
AECO natural gas price (C$/mcf)	1.48	2.30	-36%	1.42	2.64	-46%

We currently receive payment for royalty production directly from the operators of our royalty lands. However, we do maintain the right to take our production 'In Kind'.

The Royalty Market

The marketplace for existing royalties is active, as both junior and mid-cap oil and gas operators seek to dispose of non-core assets, reduce debt and facilitate active development programs. Although many operators have improved balance sheets and strong cash flow, issuing a royalty interest in their existing lands or new acquisitions remains a potentially attractive source of capital for many companies. We continue to identify opportunities to work with issuers to establish relationships and create royalties in their acquisitions and/or existing production and undeveloped mineral interests to assist with funding

their development plans or their desired acquisitions. Despite the availability of royalty acquisitions, the royalty market continues to be competitive for royalties in the highest quality regions of the WCSB and with the strongest counterparties.

Operational Update, Outlook & Forecasts

Acquisition Activities

In December 2024, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $27,103.

In December 2023, Source Rock acquired a GORR in approximately 60,800 gross acres (95 sections) of land in the Figure Lake area of central Alberta targeting the Clearwater Formation, for gross proceeds of $8,000,000. The acquisition included a commitment to drill 59 horizontal wells prior to June 30, 2026.

In October 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $164,255.

In June 2023, Source Rock acquired fee title mineral interests in two quarter sections of land and a 2% GORR in approximately 5,800 gross acres (9 sections) of land in S.E. Saskatchewan for gross proceeds of $3,315,000.

In April 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $155,924.

In March 2023, Source Rock acquired a 5% GORR in land located in central Alberta for gross proceeds of $1,600,000.

In January 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $342,515.

Acquisition Marketplace Discussion

Value expectations of sellers of royalty interests have increased, despite public company valuations continuing to be below historically normal levels. This market dynamic has increased our patience with respect to completing acquisitions, but we continue to actively pursue new royalty interests to expand and diversify our portfolio of assets in a prudent and disciplined manner.

Despite the royalty market being competitive, Source Rock continues to identify attractive acquisition opportunities that are not being marketed for sale. Source Rock remains focused on specific regions of the WCSB and building a strong base of royalty revenue and exposure to upside drilling potential primarily from oil production and mineral interests prospective for oil. Given the competitive landscape of the royalty market, Source Rock is keen on establishing working relationships with operators through which we can position future acquisition opportunities.

Subsequent Events

On each of January 15, 2025, February 15, 2025, March 15, 2025 and April 15, 2025, Source Rock paid a $0.0065 per share dividend to shareholders of record on December 31, 2024, January 31, 2025, February, 28, 2025 and March 31, 2025, respectively. Further, on April 15, 2025, Source Rock declared a dividend of $0.0065 per share for shareholders of record on April 30, 2025. These dividends were designated as "eligible dividends" for Canadian income tax purposes.

ROYALTY PRODUCTION & REVENUE

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Average daily production (boe/d)	256	218[(1)]	251	208[(1)]
Percentage oil & NGLs	97%	94%	95%	93%
Average realized price ($/boe)	$ 79.45	$ 85.86	$ 83.58	$ 87.54
Royalty revenue	$ 1,871,245	$ 1,720,264[(2)]	$ 7,689,586	$ 6,646,326[(2)]

(1) Source Rock also benefited from $211,892 (Q4 2023) and $373,437 (fiscal 2023) of sales proceeds from royalty production that occurred after the effective date but prior to the closing date of acquisitions. These proceeds were accounted for as a reduction to the purchase price of the acquisitions.

(2) Source Rock also benefited from 29 boe/d (100% oil & NGLs) for Q4 2023 and 12 boe/d (100% oil & NGLs) for fiscal 2023, of royalty production that occurred after the effective date but prior to the closing date of acquisitions.

For Q4 2024, royalty revenue increased by $150,981 (9%) to $1,871,245 compared to Q4 2023, which totalled $1,720,264. The increase in revenue resulted from higher royalty production volumes but was partially offset by lower realized commodity prices. For Q4 2024, royalty production averaged 256 boe/d (97% oil & NGLs), an increase of 17% compared to Q4 2023, which averaged 218 boe/d (94% oil & NGLs). For Q4 2024, the average realized price for royalty production was $79.45 per boe (97% oil & NGLs), a decrease of 7% compared to $85.86 per boe (94% oil & NGLs) in Q4 2023.

For the year ended December 31, 2024, royalty revenue increased by $1,043,260 (16%) to $7,689,586 compared to 2023, which totalled $6,646,326. The increase in revenue resulted from higher royalty production volumes but was partially offset by lower realized commodity prices. For the year ended December 31, 2024, royalty production averaged 251 boe/d (95% oil & NGLs), an increase of 21% compared to 2023, which averaged 208 boe/d (93% oil & NGLs). For the year ended December 31, 2024, the average realized price for royalty production was $83.58 per boe (95% oil & NGLs), a decrease of 5% compared to $87.54 per boe (93% oil & NGLs) for 2023.

Given the size and industry experience of most of the operators of our producing royalty lands, we do not feel as though taking royalty production 'In Kind' and marketing the production for sale ourselves is necessary, nor would it provide any direct benefit. We maintain the option in the future to take our royalty production 'In Kind'.

EXPENSES

OPERATING EXPENSE

As a royalty owner, we share in production revenue without incurring the operational costs, risks, and responsibilities typically associated with oil, NGL and natural gas production and operations. Source Rock does not incur any operating costs.

ADMINISTRATIVE EXPENSES

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Administrative expenses	$ 162,188	$ 194,878	$ 873,413	$ 853,122

Administrative expenses primarily consisted of professional fees, management wages, consulting fees, corporate service fees, insurance costs, listing fees and investor relations, advertising and marketing expenses. For Q4 2024, administrative expenses decreased by $32,690 (17%) to $162,188 compared to $194,878 in Q4 2023. For the year ended December 31,

2024, administrative expenses increased by $20,291 (2%) to $873,413 as compared to $853,122 for 2023. The slight increase in administrative expenses was the result of higher cash fees to management as well as higher audit, reserves evaluation and transfer agent fees. This was partially offset by other corporate costs being lower year-over-year.

RELATED PARTY TRANSACTIONS

Key personnel include the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary and the Directors of the Corporation. For the three and twelve month periods ended December 31, 2024 and 2023, Source Rock incurred the following expenses with key personnel:

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Wage & consulting fees	$ 96,000	$ 87,450	$ 467,200	$ 442,400
Share-based compensation[(1)]	204,014	186,224	829,570	735,380
Total fees	$ 300,014	$ 273,674	$ 1,296,770	$ 1,177,780

(1) See "Share-based Compensation".

In addition, during the three and twelve month periods ended December 31, 2024, $3,846 (2023 - $34,469) and $36,337 (2023 - $106,000), respectively, was incurred to a law firm at which the Corporate Secretary of the Corporation is a Partner. These fees during 2024 primarily related to work associated with general corporate matters.

All transactions were in the normal course of operations and were measured at fair value, which was the amount of consideration established by either Source Rock's Compensation Committee (comprised entirely of independent directors of the Corporation), or the Corporation's management, and agreed to by both parties. As at December 31, 2024, there was $887 (2023 - $36,469) in trade payables and accrued liabilities relating to these transactions.

SHARE-BASED COMPENSATION

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Share-based compensation	$ 204,014	$ 201,062	$ 840,311	$ 775,266

Share-based compensation relates to the vesting of previously issued stock options, RSUs and DSUs (as defined below). For Q4 2024, a share-based compensation expense in the amount of $204,014 (2023 - $201,062) was recorded. For the year ended December 31, 2024, a share-based compensation expense in the amount of $840,311 (2023 - $775,266) was recorded.

Stock Option Plan

The Corporation has a "rolling" 10% stock option plan, which became effective on July 2, 2013 (the "Option Plan"). The Option Plan provides all option holders the right to acquire common shares upon exercise of the options in accordance with their terms. Source Rock follows the fair value method for accounting using the Black-Scholes option pricing model whereby the compensation expense is recognized for the stock options on the date of grant and amortized over the option's vesting period. See "*Shares Outstanding*".

Restricted Share Unit and Deferred Share Unit Compensation Plan

The Corporation has a Restricted Share Unit and Deferred Share Unit Compensation Plan (the "RSU/DSU Plan"). An RSU entitles the holder to acquire one common share of Source Rock, or a cash payment equal to the equivalent value of one common share of Source Rock at the time of vesting, or a combination of both. RSUs typically vest 1/3 each year following the date of grant. A DSU represents the right to receive one common share of Source Rock upon the holder of such DSU ceasing to be an officer, director or consultant of Source Rock. DSUs will typically vest one year after being granted. In addition, RSU and DSU dividend equivalents, as applicable, are granted on outstanding RSUs and DSUs on the payment date for each dividend declared. See "*Shares Outstanding*".

DEPLETION

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Depletion	$ 844,502	$ 853,205	$ 3,940,341	$ 3,182,685
Per boe ($)	35.86	42.59	42.89	41.92

Royalty interests are depleted on the unit-of-production method based on estimates of proved plus probable oil, NGLs and natural gas reserves. For Q4 2024, the depletion expense was $844,502 (2023 - $853,205). For the year ended December 31, 2024, the depletion expense was $3,940,341 (2023 - $3,182,685). The cost per barrel of oil equivalent of production decreased in Q4 2024 to $35.86 (2023 - $42.59) and increased for the year ended December 31, 2024 to $42.89 (2023 - $41.92).

IMPAIRMENT

As at December 31, 2024 and December 31, 2023, there were no indicators of impairment and therefore no impairment testing was completed.

OTHER INCOME

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Interest	$ 41,806	$ 83,202	$ 136,792	$ 431,356

Interest income fluctuates based on the amount of excess cash that Source Rock has on its balance sheet during the period and what interest rates are available to the Corporation. Any excess cash held by Source Rock is invested in term deposits or GIC's at the prevailing 30-day term deposit rate, which fluctuates depending on the Bank of Canada's overnight lending rate and interest rate forecasts.

INCOME TAXES

The Corporation is a "public corporation" pursuant to the *Income Tax Act (Canada).* As a result, the Corporation's statutory tax rate is approximately 23%.

Tax Pools

The Corporation is entitled to claim certain tax deductions available to all owners of oil and gas properties. For Source Rock, the principal deduction is the Canadian Oil and Gas Property Expense. Source Rock's tax pools are relatively modest as it has low capital expenditure requirements due to the nature of royalty interests.

As at December 31, 2024, the Corporation had the following unutilized tax pools:

Non-Capital Losses	$nil
Canadian Oil and Gas Property Expense	$21,484,171
Share Issuance Costs	$616,158
Capital Losses	$94,255

Cash Taxes

The Corporation estimates that it will be required to pay $252,998 and $958,594, respectively, in cash taxes for the three month period (2023 - $(54,788)) and year (2023 - $570,942) ended December 31, 2024. However, the actual amount of taxes owing for these periods could be subject to adjustment.

The Corporation expects to pay cash taxes consistently going forward. The anticipated amount of taxes is influenced by, among other factors, royalty production volumes, commodity prices, changes in tax laws, newly acquired tax pools via the acquisition of additional royalties (and the timing in each fiscal year of such acquisitions) and the amount of expenses and financing costs incurred by Source Rock.

QUARTERLY REVIEW

Quarterly variances in revenues, net income/(loss) and funds from operations are caused mainly by fluctuations in realized commodity prices and production volumes. Commodity prices are generally determined by global supply and demand factors, and the variances do not have seasonable predictability.

	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Royalty revenue	$ 1,871,245	$ 1,987,999	$ 2,102,292	$ 1,728,050
Adjusted EBITDA[(1)]	$ 1,709,057	$ 1,670,376	$ 1,932,636	$ 1,504,104
Funds from operations[(1)]	$ 1,511,958	$ 1,477,458	$ 1,673,849	$ 1,331,106
Total comprehensive income (loss)	$ 501,915	$ 247,925	$ 527,511	$ 217,968
Per share (basic)	$ 0.011	$ 0.005	$ 0.012	$ 0.005
Per share (diluted)	$ 0.010	$ 0.005	$ 0.011	$ 0.005
Average daily production (boe/d)	256	257	251	241

Percentage oil & NGLs	97%	94%	95%	95%
Current assets	$ 5,725,486	$ 5,074,541	$ 4,502,144	$ 3,513,771
Total assets	$ 26,585,202	$ 26,713,183	$ 27,126,968	$ 27,088,930
Total current liabilities	$ 865,124	$ 810,171	$ 826,369	$ 629,808
Shareholder equity	$ 25,720,078	$ 25,903,012	$ 26,300,599	$ 26,459,122
Weighted average number of shares outstanding (basic)	45,582,727	45,495,207	45,232,645	45,231,865

	Q4 2023	Q3 2023	Q2 2023	Q1 2023
Royalty revenue	$ 1,720,264	$ 2,018,865	$ 1,526,946	$ 1,380,251
Adjusted EBITDA[(1)]	$ 1,525,386	$ 1,746,388	$ 1,363,910	$ 1,157,520
Funds from operations[(1)]	$ 1,663,376	$ 1,562,143	$ 1,316,628	$ 1,111,471
Total comprehensive income (loss)	$ 382,367	$ 529,845	$ 431,863	$ 222,235
Per share (basic)	$ 0.008	$ 0.012	$ 0.010	$ 0.005
Per share (diluted)	$ 0.008	$ 0.011	$ 0.009	$ 0.005
Average daily production (boe/d)	218	228	206	180
Percentage oil & NGLs (%)	94%	94%	92%	90%
Current assets	$ 2,767,281	$ 9,886,803	$ 8,930,717	$ 12,451,270
Total assets	$ 27,258,635	$ 27,455,686	$ 27,333,680	$ 28,077,389
Total current liabilities	$ 401,498	$ 463,128	$ 278,446	$ 903,386
Shareholder equity	$ 26,857,137	$ 26,992,558	$ 27,055,234	$ 27,714,003
Weighted average number of shares outstanding (basic)	45,139,091	44,937,406	44,896,645	44,896,645

(1) This is a non-GAAP financial measure or non-GAAP ratio. Refer to the disclosure under the heading "Non-GAAP Financial Measures & Ratios" for more information on each non-GAAP financial measure or ratio.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Relating to Operating Activities and Working Capital

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Cash flows from operating activities	$ 1,686,590	$ 1,739,267	$ 6,648,581	$ 4,912,907
Change in non-cash working capital balances	(174,632)	(75,891)	(654,210)	740,711
Funds from operations[(1)]	$ 1,511,958	$ 1,663,376	$ 5,994,371	$ 5,653,618
Per Share ($)	0.033	0.037	0.132	0.126

(1) This is a non-GAAP financial measure or non-GAAP ratio. Refer to the disclosure under the heading "Non-GAAP Financial Measures & Ratios" for more information on each non-GAAP financial measure or ratio.

The Corporation generates cash flows from royalty interests based on a combination of production volumes and sales volumes, which are typically paid 30 to 60 days following the end of the month in which they have been earned. These funds are used to pay monthly administrative expenses with the remainder to be retained to fund future capital expenditures and dividends.

As at December 31, 2024, Source Rock did not have any loans or other debt instruments outstanding, nor did it have any other material contractual obligations of a financial nature.

As at December 31, 2024, Source Rock had an overall positive working capital balance ("current assets" less "current liabilities" as defined by Canadian GAAP) of $4,860,362 (2023 - $2,365,783).

Financing Activities

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Dividends paid to shareholders	$ (888,863)	$ (788,942)	$ (3,449,041)	$ (3,371,050)
Exercise of warrants	-	-	1,250	-
Exercise of stock options	-	94,000	-	134,000
Settlement of RSUs	-	-	-	(88,844)
Cash flows from (used in) financing activities	$ (888,863)	$ (694,942)	$ (3,447,791)	$ (3,325,894)

During Q4 2024, dividends paid was $888,863 (Q4 2023 - $788,942). During the year ended December 31, 2024, dividends paid was $3,449,041 (2023 - $3,371,050).

Investing Activities

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Purchase of petroleum and natural gas interests	$ (27,103)	$ (8,002,418)	$ (27,103)	$ (13,277,475)
Cash flows from (used in) investing activities	$ (27,103)	$ (8,002,418)	$ (27,103)	$ (13,277,475)

Year Ended December 31, 2024:

- In December 2024, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $27,103.

Year Ended December 31, 2023:

- In December 2023, Source Rock acquired a GORR in approximately 60,800 gross acres (95 sections) of land in the Figure Lake area of central Alberta for gross proceeds of $8,000,000 (the "December 2023 Acquisition"), with an effective date of October 1, 2023. Sales proceeds for royalty production between the effective date and the closing date amounting to $211,892 were deducted from the purchase price. Transaction costs for the December 2023 Acquisition amounting to $39,723 were added to the purchase price.

- In October 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $164,255.

- In June 2023, Source Rock acquired fee title mineral interests in two quarter sections of land and a 2% GORR in approximately 5,800 gross acres (9 sections) of land in S.E. Saskatchewan for gross proceeds of $3,315,000 (the "June 2023 Acquisition"), with an effective date of May 1, 2023. Sales proceeds for royalty production between the effective date and the closing date amounting to $23,594 were deducted from the purchase price. Transaction costs for the June 2023 Acquisition amounting to $24,116 were added to the purchase price.

- In April 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $155,924.

- In March 2023, Source Rock acquired a 5% GORR in land located in central Alberta for gross proceeds of $1,600,000 (the "March 2023 Acquisition"), with an effective date of January 1, 2023. Sales proceeds for royalty production between the effective date and the closing date amounting to $137,949 were deducted from the purchase price. Transaction costs for the March 2023 Acquisition amounting to $9,377 were added to the purchase price.

- In January 2023, Source Rock acquired a 2% GORR in land located in S.E. Saskatchewan for proceeds of $342,515.

Adjusted EBITDA

Adjusted EBITDA is calculated as follows:

	Three months ended December 31,		Twelve months ended December 31,	
	2024	2023	2024	2023
Income (Loss) before taxes	$ 702,347	$ 554,321	$ 2,172,313	$ 2,266,609
Add-back/(deduct)				
Depletion	$ 844,502	$ 853,205	$ 3,940,341	$ 3,182,685
Share-based compensation	$ 204,014	$ 201,062	$ 840,311	$ 775,266
Interest	$ (41,806)	$ (83,202)	$ (136,792)	$ (431,356)
Adjusted EBITDA[(1)]	$ 1,709,057	$ 1,525,386	$ 6,816,173	$ 5,793,204
Per Share (basic) ($)	0.038	0.034	0.150	0.129

(1) This is a non-GAAP financial measure or non-GAAP ratio. Refer to the disclosure under the heading "Non-GAAP Financial Measures & Ratios" for more information on each non-GAAP financial measure or ratio.

Shares Outstanding

	December 31, 2024	December 31, 2023
Basic common shares outstanding at end of period	45,582,727	45,231,645
Common share stock options outstanding at end of period	1,350,000	1,815,000
RSU's outstanding at end of period	1,086,540	896,547
DSU's outstanding at end of period	1,292,715	887,884
Total diluted common shares outstanding at end of period	49,311,982	48,831,076

DIVIDEND POLICY

The Board of Directors will review the ability of the Corporation to pay a dividend on a monthly basis. The Corporation has established and maintains a dividend policy whereby dividends are financed from internally-generated funds from operations of the Corporation and the amount of cash distributed is determined at the discretion of the Board after consideration of numerous factors including: (i) funds from operations of the Corporation; (ii) funding requirements for the Corporation's operations and future royalty acquisition opportunities; (iii) the satisfaction by the Corporation of liquidity and solvency tests under the Business Corporations Act (Alberta); and (iv) if applicable, any provisions in agreements relating to indebtedness, as applicable, that restrict the declaration and payments of dividends. Our goal is to balance payment of a dividend with growth of our portfolio of royalties and always ensure that our balance sheet is strong.

NON-GAAP FINANCIAL MEASURES & RATIOS

This MD&A contains references to "Adjusted EBITDA" and "funds from operations" which are non-GAAP financial measures and the terms "payout ratio", "operating netback" and "corporate netback" which are non-GAAP ratios. These financial measures and ratios do not have a standardized prescribed meaning under Canadian GAAP and therefore are referred to as non-GAAP financial measures. The non-GAAP financial measures used by Source Rock may not be comparable to similar measures used by other companies.

"Adjusted EBITDA" (earnings before interest, taxes, depreciation and amortization) is used by management to analyze the Corporation's profitability based on the Corporation's principal business activities prior to how these activities are financed, how assets are depreciated, amortized and impaired, and how the results are taxed. Additionally, amounts are removed relating to share-based compensation expense, the sale of assets, fair value adjustments on financial assets and liabilities, other non-cash items and certain non-standard expenses, as the Corporation does not deem these to relate to the performance of its principal business. Adjusted EBITDA is not intended to represent net profit (or loss) as calculated in accordance with GAAP.

"Funds from operations" is defined as cash flows from operating activities before the change in non-cash working capital. Funds from operations, as presented, is not intended to represent operating cash flow or operating profits for the period nor should it be viewed as an alternative to net income or other measures of financial performance calculated in accordance with GAAP. We consider funds from operations to be a key measure of operating performance as it demonstrates Source Rock's ability to generate the necessary funds to fund operations, pay dividends and repay debt, if applicable. We believe that such a measure provides a useful assessment of Source Rock's operations on a continuing basis by eliminating certain non-cash charges. It is also used by research analysts to value and compare oil and gas companies, and it is frequently included in their published research when providing investment recommendations. Funds from operations per share is

calculated based on the weighted average number of shares outstanding consistent with the calculation of net income per share.

"Corporate netback" is calculated as funds from operations divided by cumulative production volumes for the period. Corporate netback is used by Source Rock to better analyze the financial performance of its royalties against prior periods and to assess the cost efficiency of its overall corporate platform as it relates to production volumes. There is no standardized meaning for "corporate netback" and this metric as used by Source Rock may not be comparable with the calculation of similar metrics disclosed by other entities, and therefore should not be used to make comparisons.

"Operating netback" represents the cash margin for products sold. Operating netback is calculated as revenue minus cash administrative expenses divided by cumulative production volumes for the period. Operating netback is used by Source Rock to assess the cash generating and operating performance of its royalties against prior periods and to assess the costs efficiency of its operating platform as it relates to production volumes. There is no standardized meaning for "operating netback" and this metric as used by Source Rock may not be comparable with the calculation of similar metrics disclosed by other entities, and therefore should not be used to make comparisons.

"Payout ratio" is calculated as the aggregate of cash dividends declared in a period divided by funds from operations realized in such period. Source Rock considers payout ratio to be a key measure to assess Source Rock's ability to fund operations, acquisition opportunities, dividend payments, cash taxes and debt repayments, if applicable.

Beginning with Q1 2023, Source Rock changed the definition of "payout ratio" to be based on dividends "declared" instead of dividends "paid", as it was determined that this change will provide more useful disclosure relating to the ratio of the dividend payout relative to financial results for the period being reported on as compared to the period in which the dividend is paid to investors.

CONVERSION OF NATURAL GAS TO BARRELS OF OIL EQUILVALENT (BOE)

Source Rock has adopted the standard conversion ratio of 6 Mcf:1 barrel when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf:1 barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different that the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.

ADDITIONAL INFORMATION

Additional information about Source Rock is available on our website at www.sourcerockroyalties.com or by contacting Source Rock’s management at brad@sourcerockroyalties.com or (403) 472-5767.

FORWARD-LOOKING STATEMENTS

This document offers our assessment of Source Rock’s future plans and operations as at April 24, 2025, and contains forward-looking statements that we believe allow readers to better understand our business and prospects. Forward-looking statements are contained in this MD&A under the headings "Business Overview", "Business Environment" and "Dividend Policy", and include our expectations for the following:

- executing on the corporation's strategy of acquiring stable and long-life, high netback producing oil and gas royalties with upside drilling potential and drill ready mineral title interests in areas that are actively being developed by successful operators;
- maintaining a prudent, repeatable, scalable and sustainable corporate platform that minimizes operating costs, maximizes per share royalty revenue growth and ultimately that allows for the payment of a sustainable yield; and
- anticipating that the marketplace to acquire existing royalties will remain active, and that we expect to be well positioned to complete additional royalty acquisitions.

By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond our control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, taxation, regulation, changes in tax or other legislation, competition from other industry participants, the lack of availability of qualified personnel or management, and our ability to access sufficient capital from internal and external sources.

With respect to forward-looking statements contained in this MD&A, we have made assumptions regarding, among other things, future oil and natural gas prices, future production levels, future tax rates, our expectation for the consumption of crude oil and natural gas, our expectation for industry drilling activities, our ability to obtain financing on acceptable terms, and our ability to add production and reserves through acquisition activities. The key operating assumptions with respect to the forward-looking statements referred to above are detailed in our discussion under "Business Overview", "Business Environment" and "Dividend Policy" sections of this MD&A.

You are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Our actual results, performance, or achievement could differ materially from those expressed in, or implied by, these forward-looking statements. We can give no assurance that any of the anticipated events will transpire or occur, or if any of them do, what benefits we will derive from them. The forward-looking information contained in this document is expressly qualified by this cautionary statement. Our policy for updating forward-looking statements is to update our key operating assumptions quarterly and, except as required by law, we do not undertake to update any other forward-looking statements.

You are further cautioned that the preparation of financial statements in accordance with Canadian GAAP requires management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates may change, having either a positive or negative effect on net income, as further information becomes available and as the economic environment changes.

CORPORATE INFORMATION

Board of Directors

Brad Docherty, LL.B., B.A.
Chairman

June-Marie Innes, CPA[(1)]
Independent

Shaun Thiessen, B. Comm [(2)(3)]
Independent

Jordan Kevol, B. Sc. Geology[(2)]
Independent

Gary McMurren, P. Eng[(1)(3)]
Independent
Chair of Reserves Committee

Dean Potter, P. Geo[(3)]
Independent

Scott Rideout[(2)]
Independent
Chair of Compensation and Corporate Governance Committee

John Bell, CPA, CA[(1)(2)]
Independent
Chair of Audit Committee

(1) Audit Committee Member.
(2) Compensation and Corporate Governance Committee Member.
(3) Reserves Committee Member.

Officers

Brad Docherty, LL.B., B.A.
President & C.E.O.

Cheryne Lowe, CPA, CA
Chief Financial Officer

Lucas Tomei, LL.B., B. Sc.
Corporate Secretary

Advisors

Legal Counsel
Dentons Canada LLP

Auditors
MNP LLP

Reserves Evaluator
Trimble Engineering Associates Ltd.

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